

TEXAS TRANSPORTATION COMMISSION

VARIOUS Counties

MINUTE ORDER

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VARIOUS Districts

Section 49-n, Article III, of the Texas Constitution (Constitutional Provision) provides that the Texas Legislature may authorize the Texas Transportation Commission (Commission) to issue bonds and other public securities and enter into bond enhancement agreements that are payable from revenue deposited to the credit of the state highway fund to fund state highway improvement projects (Highway Improvement Projects).

The Constitutional Provision provides for the appropriation of amounts from state highway fund revenues that are sufficient to pay the principal of and interest on such bonds or other public securities and any cost related to the bonds and other public securities, including payments under bond enhancement agreements.

The Constitutional Provision further provides that any dedication or appropriation of revenue to the credit of the state highway fund may not be modified so as to impair any outstanding bonds or other public securities secured by a pledge of state highway fund revenue unless provisions have been made for a full discharge of the bonds.

Pursuant to the Constitutional Provision, the Texas Legislature enacted Section 222.003, Texas Transportation Code (Enabling Act), which authorizes the Commission to issue bonds and other public securities secured by a pledge of and payable from revenue deposited to the credit of the state highway fund.

The Enabling Act provides that (i) the aggregate principal amount of such bonds and other public securities may not exceed \$3 billion, (ii) the Commission may only issue bonds or other public securities in an aggregate principal amount of not more than \$1 billion each year, (iii) \$600 million of the aggregate principal amount of such bonds or other public securities must be issued to fund projects (Safety Projects) that reduce accidents or correct or improve hazardous locations on the state highway system, and (iv) bonds and other public securities and credit agreements may not have a principal amount or terms that are expected to cause annual expenditures with respect thereto to exceed 10 percent (10%) of the amount deposited to the credit of the state highway fund in the immediately preceding year.

The Enabling Act directs the Comptroller of Public Accounts to withdraw from the state highway fund amounts determined by the Commission to permit timely payment of the principal of and interest on the bonds and other public securities and any cost related to the bonds and other public securities, including payments under credit agreements.

Pursuant to the Enabling Act, the Commission has adopted rules, codified at 43 TAC §§15.170-15.174, that prescribe criteria for selecting projects (including Safety Projects) eligible for funding under the Enabling Act.

The Commission has determined to approve the establishment of a financing program (Financing Program) to provide a financing structure to facilitate the Commission's exercise of the powers and authority conferred by the Enabling Act through the issuance of bonds and other public securities and the execution of credit agreements to fund Highway Improvement Projects, which bonds, public securities and credit agreements will be secured by and payable from the state highway fund revenues.

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Attached hereto as Exhibit A is a summary of the proposed plan of finance for the Financing Program (Plan of Finance).

Government Code, §1231.041 provides that a state agency may not issue a state security, including a bond, unless the Texas Bond Review Board (Board) approves the issuance. Government Code, §1231.042 provides that, in order to obtain the approval of the Board to issue a state security, a state agency must apply to the Board in the manner prescribed by the Board.

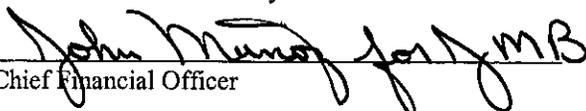
Pursuant to this authority, the Board has adopted bond review rules, codified at 34 TAC §§181.1-181.12. Section 181.3 provides that a state agency that proposes to issue state securities shall apply for Board approval by filing an application with the Board, and prescribes documentation required to be included with an application.

IT IS THEREFORE ORDERED by the Commission that the preparation of documentation required to establish the Financing Program and to take such other actions as are deemed necessary or appropriate in connection with the establishment of the Financing Program and the issuance of one or more series of bonds pursuant to the Financing Program, as summarized by the Plan of Finance is hereby approved. At a future meeting, one or more minute orders to approve the final agreements and documentation to establish the Financing Program and authorize the issuance of bonds and other obligations will be presented for approval.

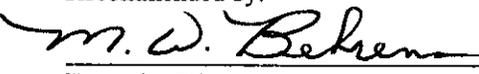
IT IS FURTHER ORDERED by the Commission that the filing of an application with the Texas Bond Review Board for approval of the issuance of state highway fund revenue bonds and other obligations, in an amount not to exceed \$600 million, and any necessary ancillary documents, for the purpose of financing the costs of Highway Improvement Projects is hereby approved.

IT IS FURTHER ORDERED by the Commission that the terms of the Plan of Finance attached as Exhibit A are approved.

Submitted and reviewed by:


Chief Financial Officer

Recommended by:


Executive Director

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Minute Number	Date Passed
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Exhibit A

TEXAS TRANSPORTATION COMMISSION

Summary of Plan of Finance for State Highway Fund Revenue Bonds

Background

- Overview – State Highway Fund Revenue Bonds and Other Public Securities (Bonds) and Credit Agreements are authorized to fund State Highway Improvement Projects. Subject to statutory restrictions and oversight, as described below, Bonds may
 - Have a maturity of not more than 20 years
 - Be repaid with revenue deposited to the credit of the State Highway Fund
 - Be issued in an aggregate principal amount not to exceed \$3 billion; \$600 million of which must be issued to fund Safety Projects
- Legal – Section 49-n, Article III, Texas Constitution (approved by voters in November 2003); and Section 222.003, Texas Transportation Code (enacted by the 78th Legislature in 2003)

Purpose – Fund State Highway Improvement Projects

Program Participants

- TxDOT finance and legal staffs
- J.P. Morgan Securities Inc. to serve as Senior Managing Underwriter; other syndicate members to be determined
- JPMorgan Chase Bank to serve as Paying Agent/Registrar
- Financial Advisor – RBC Capital Markets; Bond Counsel – Andrews Kurth LLP; Disclosure Counsel – McCall, Parkhurst & Horton L.L.P.

Security

- Bonds are pledged and payable from revenues deposited to the credit of the State Highway Fund
- Bonds are not a general obligation of the State
- Constitution provides for appropriation of amounts from State Highway Fund sufficient to pay the principal of and interest on Bonds

- Constitutional Provision further provides that any dedication or appropriation of revenue to the credit of the State Highway Fund may not be modified so as to impair any outstanding Bonds

Program Restrictions and Oversight

- Aggregate Amount of Bonds – may not exceed \$3 billion, and not more than \$1 billion of Bonds may be issued each year
- \$600 million of the aggregate principal amount of such Bonds must be issued to fund projects (Safety Projects) that reduce accidents or correct or improve hazardous locations on the State Highway System
- Bonds may not have a principal amount or terms expected to cause annual expenditures with respect thereto to exceed 10% of the amount deposited to the credit of the State Highway Fund in the immediately preceding year
- Maximum Term of a Bonds – Twenty years, subject to refundings or renewals
- Approvals – Bond Review Board and Attorney General